Building Strategy to Penetrate Deeper into the Stagnant and Unattractive Contact Lens Market

By

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ABSTRACT

This thesis builds up important strategic elements to penetrate deeper into the stagnant and mature contact lens market by focusing on adolescents. First, contact lens adoption is studied to strategically generate awareness and build community effect for increasing purchase. Second, the competition is analyzed broadly at an industry level to favorably position a manufacturer against rivals to gain market share.

Thesis Supervisor: Ezra W. Zuckerman
Title: Professor of MIT Sloan School of Management

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I would also like to thank and dedicate this thesis to my brother, Dr Vajinder Toor (1975-2010), who will always remain my best friend and coach.

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1. Introduction

1.1 Overview of Eye Care Industry

The eye care Industry has various market segments including frames, contact lenses, and refractive surgery. The eye care industry is highly competitive and structured in various forms of business models such as independent optical outlets, optical chain retailers, mass-merchandisers, and online. The main drivers of the eye care industry have been technological advancements and price.

From a macro perspective, the eye care industry in the developed world is maturing. Population growth in the developed countries is stagnant and the percentage of the population needing vision correction has been roughly constant in the recent past. The market potential for the eye care industry in developed countries is limited and growth is not expected to come from new young consumers as birth rates in these countries are stagnant.

However, the population of emerging countries is expected to grow continuously in coming years. Not only will the population grow in the near future but also the purchasing power with a shift from low income to middle income. Today, roughly 80-85% of the world's population is found in emerging markets, contributing almost three quarters of global GDP growth with an increasing share in the future. Because not much market growth is expected in developed countries that are also struggling to make economic headway, it makes sense to turn more focus to emerging Asian powerhouses for market growth. The vision care industry in emerging economies is expected to be driven by patient demographics, the increasing aged population, the cost effectiveness of vision care devices, brand consciousness and the rise of the organized retail sector.[1] To focus increasingly on emerging countries for growth is an interesting perspective however the scope of this thesis is limited to increasing contact lens penetration in developed world only.

1.2 Overview of Contact Lens Market

Contact lenses are medical devices to be worn for vision correction, cosmetic and therapeutic reasons. Contact lenses can be classified by function, wear, material, and replacement schedule. In 2010, the worldwide contact lens market was estimated at $6.1 billion, while the U.S. soft lens market is estimated at $2.1 billion.[2]

The contact lens segment under vision care industry has also shown signs of market maturity with stagnating growth figures and low penetration. Reasons for stagnation are not different from the ones that are cited for the vision care industry. The population has roughly been constant in the developed world and the vision care candidates have already adopted some sort of vision correction mechanism in the form of surgery, spectacles, contact lenses or a mix. Growth is not expected to come from a huge influx of new young consumers because of decreasing or stagnant birth rates.

"Trends in the contact lens sector are quite similar across most global markets. However, in terms of wearer base, regional markets exhibit varying rates. The US, with a relatively higher penetration level, is more mature than rest of the world. Most of the future growth lies in non-US markets. Asia-Pacific is expected to register the steepest growth with a CAGR of 9.1% from 2010 through 2018. Home to more than half of the world's population, several Asian countries have a significant population that is affected by vision problems. This bodes well for both lens and lens care products".[3]

A study commissioned by Euromcontact estimates contact lens penetration in Europe to be between 3% and 10%.[4] According to another Alcon study world-wide contact lens penetration is only 6% in the vision care industry. An interesting point to note is that with $6.1 billion market size and 6% population penetration, an increase in just one percent point penetration would mean billions of dollars for contact lens manufacturers.

Because the contact lens market growth has become stagnant, the competition has become more intense with strong players consolidating the market with mega deals and acquisitions to gain market power and penetrate deeper in the market. This is signified by recent mergers including Alcon/Novartis and CooperVision/Ocular Sciences mergers, and market dominance by four major players (Johnson, Novartis, Cooper Vision, Bausch & Lomb). The figure below shows 2010 contact lens market share comparison.

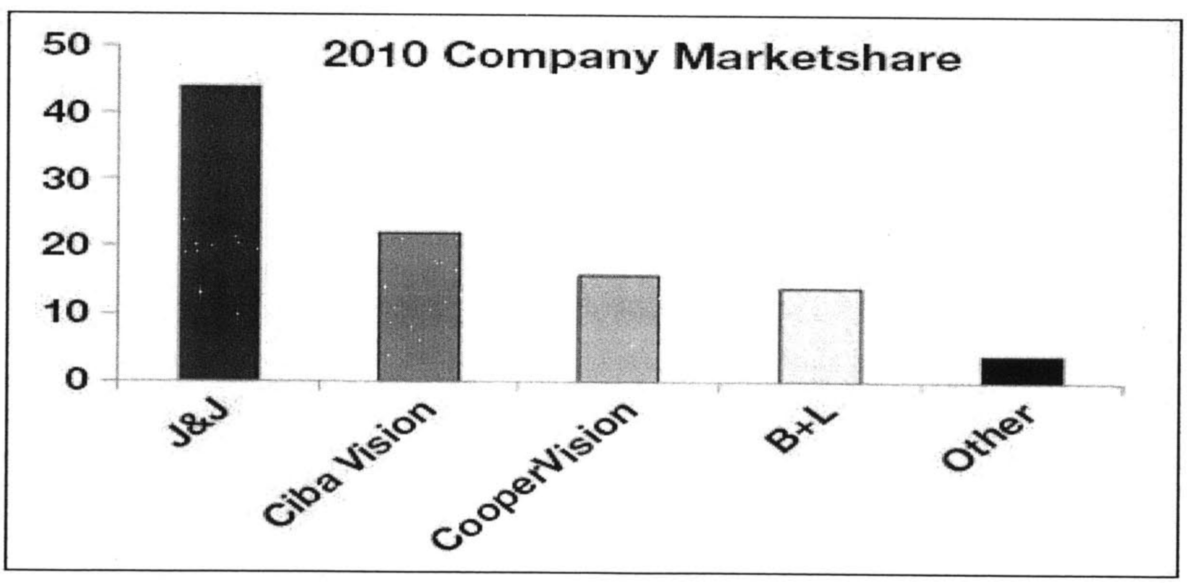

Figure 1.1 Marketshare of Major Players [5]

Note: Ciba Vision is a Novartis company and manufactures contact lenses.

1.3 Defining the Problem

In order to achieve growth in this stagnant and mature contact lens market in the developed world, manufacturers have to find new and promising ways to penetrate the market and steal growth from traditional competition and substitutes. Total market penetration of the contact lens segment in the vision care industry (ruled by spectacles) is low. Despite the clear benefits provided by contact lenses, spectacles remain the primary mode of vision correction to be recommended by eye care practitioners (ECPs). Spectacles continue to dominate the market share and growth. Approximately 95% of the vision correction population use spectacles, either alone or in combination with other forms of correction.[4]

However, only one percent point increase in penetration would mean billions of dollars for contact lens manufacturers. But the big question is how to increase the market penetration in developed world? Adolescents or teenagers seem to be a promising opportunity to concentrate the efforts of market penetration to realize immediate gains. Many manufacturers have conducted studies to find out that adolescents are most interested in adopting contact lenses.

The figure below shows the comparison.

Interest in Trying Contact Lenses among Eyeglasses-Only Wearers

Age	% Definitely/Probably Interested
Under 18	58%
18-24	37%
25-39	36%
40-49	24%
50-59	13%

Figure 1.2 Eyeglasses-only Wearers Interest in Trying Contact Lenses.[6]

Also, teenagers, around the world, form the highest proportion of lens fits in 0-17 year age category consisting of infants (aged 0 to 5 years), children (6 to 12 years), and teenagers (13 to 17 years). The figure below shows the proportion of lenses fitted to infants, children and teenagers in 38 countries from 2005 to 2009.

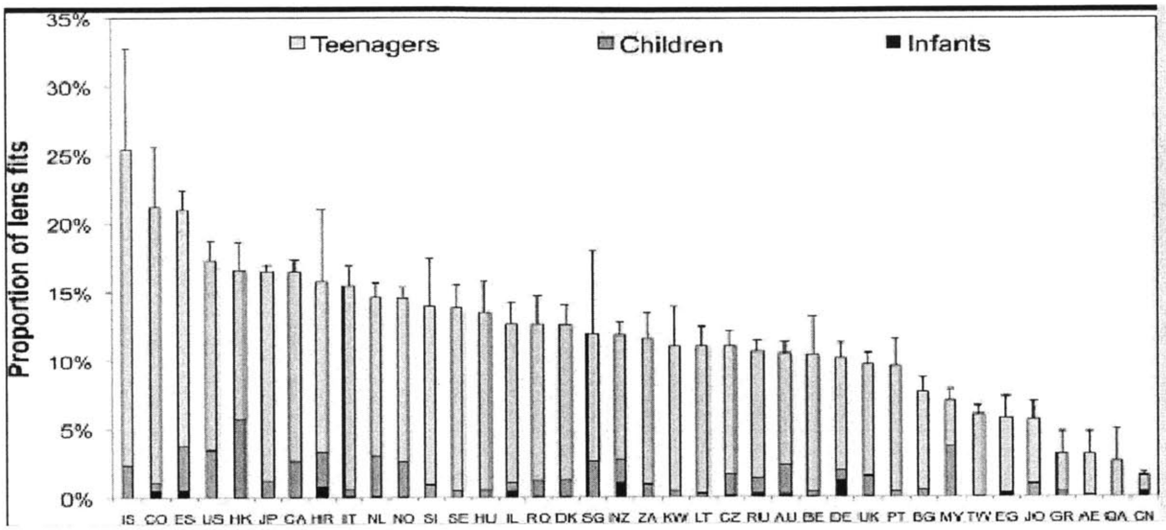

Figure 1.3 Proportion of Lens Fits.

Proportion of contact lenses fitted to infants, children and teenagers in 38 countries from 2005 to 2009. AE, United Arab Emirates; AU, Australia; BE, Belgium; BG, Bulgaria; CA, Canada; CN, China; CO, Colombia; CZ, Chezh Republic; DE , Germany; DK, Denmark; EG, Egypt; ES, Spain; GR, Greece; HK, Hong Kong; HR, Croatia; HK, Hungary; IL, Israel; IS, Iceland; IT, Italy; JO, Jordan; JP, Japan; KW, Kuwait; LT, Lithuania; MY, Malaysia; NL, Netherlands; NO, Norway, NZ, New Zealand; PT, Portugal; QA, Qatar; RO, Romania; RU, Russia; SE, Sweden; SG, Singapore; SL, Slovenia; TW, Taiwan; UK, United Kingdom; US, United States; ZA, South Africa[7]

Many other published studies show that teenagers form the largest percentage of contact lens sales. Adolescents who use contact lenses report a significant enhancement in their looks. Teenagers often feel more accepted when they wear contact lenses as opposed to glasses. Contact lenses not only promote teens' self-image but also are alternative for vision correction.

For adolescents, contact lenses could be safer, more durable and convenient than eyeglasses in a number of circumstances and can also enhance their peripheral vision during sport games and driving.

Because teenagers are the most promising category to achieve growth by penetration, from strategic perspective it makes sense for a manufacturer to concentrate its efforts on teens. But the big question is how to increase the market penetration in the developed world by focusing on teens. Next chapters will be focused on further developing a strategy to increase market penetration by focusing on teens.

1.4 Thesis Outline

In order to penetrate deeper in this stagnant and mature market, a manufacturer has to steal share from traditional competitors and substitutes such as spectacles. Such initiatives include (but not limited to) product advancement, service improvement or promoting comparative advantages. Chapter 2 will help draw a system dynamics model capturing important interactions for adoption of such initiatives undertaken by the manufacturer to penetrate deeper in the market by focusing on teens. Such a model will be helpful in dissecting existing problems, predicting future behavior, and establishing strategic plans.

Chapter 3 is built upon the system model approach used in previous chapter to further analyze competition, this time at an industry level. The competition in contact lens market can't be narrowly defined between traditional players but is broad with substitutes and power of suppliers /buyers. This chapter will focus on horizontal and vertical competition at industry level to find a competitive position and shape the strategy from a manufacturer's perspective. While Chapter 2 is more of internal analysis; Chapter 3 is more of external analysis at industry level needed to build a well-rounded strategy.

Chapter 4 will concentrate on building and reviewing the strategy elements based on the analysis done in previous chapters. **Chapter 5** will focus on shaping the strategy for two-way communication by considering the growing importance of interactive digital technology in teens.

Chapter 6 will be the final chapter to capture important findings, conclusion and recommendations.

2. Capturing Market Dynamics

2.1 System View

The system view below is a simplified version to capture important interactions and understand the adoption process of a new or existing contact lens product or service.

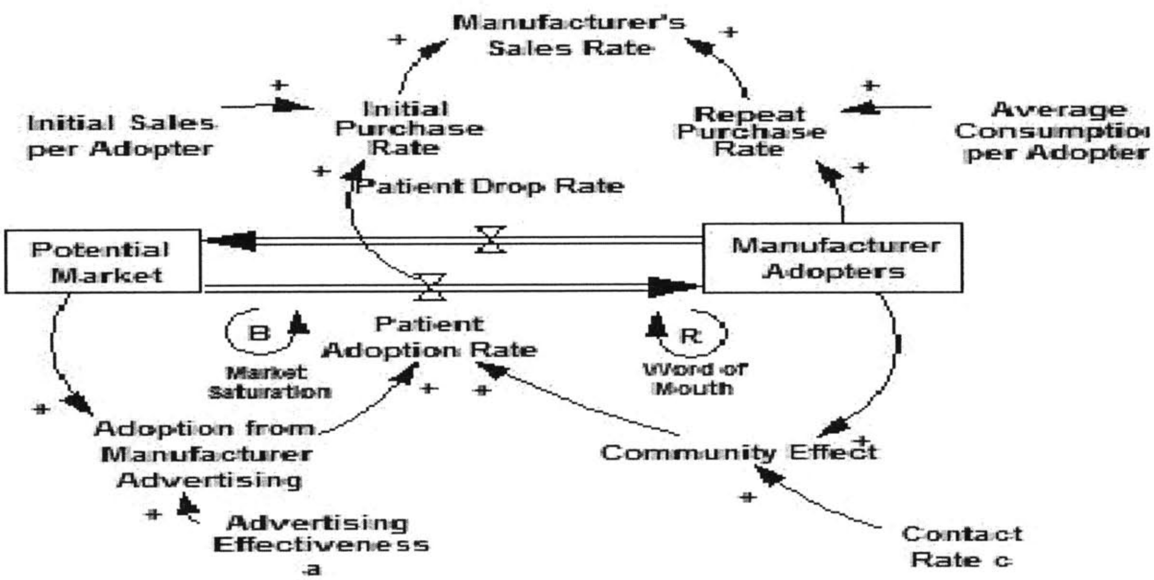

Figure 2.1 Adapted Bass Diffusion Model.

The adapted Bass diffusion model [8] shown above describes the process of how a product or service gets adopted as an interaction between adopters and potential adopters. The model is built on two basic assumptions that potential adopters of a new initiative are influenced by advertising and word-of-mouth (WOM).

This model will be helpful in dissecting existing problems with adoption or predicting future behavior of adoption of newly launched initiatives (service improvement, product advance, or comparative advantages promotion) by a manufacturer to penetrate deeper in the market. Such market dynamics based on advertising and WOM will also help in designing marketing and production plans.

2.2 Potential Market

In this case, potential market can be viewed as the population or stock of adolescents needing vision correction. The more the stock of adolescents needing vision correction, the more the potential for growth; however a manufacturer has to strategize to pull the growth from the industry (vision care) to its own market segment (contact lens).

There are three ways in which a manufacturer can grow:

- Grow with the market

  The market growth for vision care industry is stagnant in the US and Europe. Population growth in the developed countries is modest and the percentage of the population of adolescents needing vision correction remains relatively unchanged. This means that the market growth potential for adolescents in developed world is eye care market is limited.

- Find new growth markets (diversify and globalize)

  The population and purchasing power of emerging economies is growing so they seem an interesting perspective to grow the business when the population and economic growth in the developed world is stagnant. This could be the time to accelerate and gain substantial geographic presence. From the perspective of this thesis, this position is out-of-scope.

- Penetrate the market

  Because the market in the developed world is stagnant, the growth has to be driven by stealing growth from competition (including substitutes) to penetrate deeper in the market. A manufacturer can penetrate the market by service improvement, product advance, promoting comparative value proposition, decreasing price or a unique mix of all. Apart from launching new initiatives, a manufacturer can position itself strategically against competition. By understanding and coping with the competitive forces at industry level, a manufacturer can build up important strategic elements to gain competitive edge over rivals and gain market share. A manufacturer can find a position where forces are weak or moderate the forces in its favor or exploit changes in industry structure over time. Chapter Three details the competitive forces to shape the strategy in Chapter Four.

2.3 Adoption

This section is focused on finding important determinants of manufacturer adoption and on increasing adoption.

2.3.1 Adoption from Advertising

The adoption rate is number of adolescents adopting the manufacturer product over time. The adoption from advertising itself depends upon potential market. A well-targeted advertisement campaign will have biggest impact early in the adoption process where a lot of potential adopters to reach and convert. If advertising really works then it synergizes with word-of-mouth neatly. If required, the manufacturer shouldn't hesitate to spend big on advertising in the beginning so that word-of-mouth prevails later.

While advertising the initiative to adolescents, there are other important elements to consider such that adolescents have different preferences and limited funds. Advertising messages should be targeted specifically at the teen market to generate teen awareness and to increase purchase. Possible media includes (but is not limited to) television, video games, MP3 players, video sharing sites such as YouTube, social networking sites such as Face book, Twitter, Myspace, and Google+. A well devised digital strategy may play a critical role in influencing adolescents.

2.3.2 Community Effect (Word-of-Mouth)

Word-of-mouth plays a crucial role in helping to reduce uncertainty in purchase. It is an informal customer-to-customer communication about the features of a product or a service. Adolescents often acquire information about specific products from various online communities, blogs, television and product review websites. Studies have shown that consumer reliance on word-of-mouth is increasing. For instance: the ongoing study conducted by the Kokokusha group (2007) has shown that such reliance increased from 61% in 2005 to 76% in 2007.[9]

Adoption from word of mouth is a function of potential adopters. Advertising and Word-of-Mouth(WOM) go hand in hand. The more the adopters, more the community effect. More the community effect more the adoption rate; complementing the increased adoption from advertising. The goal should be to saturate the potential teen market and fill the stock of manufacturer adopters faster than competition. Adopters infect potential market through word of mouth thus causing others to adopt as highlighted in re-enforcing loop "R" in figure 3.

Today, the importance word-of-mouth (WOM) is growing because our society has transformed from production-oriented to consumer-oriented with an ever increasing consumer power. As the customer's participation is getting important in creating value[10], consumer-to-consumer interactions have become creditable sources playing a very important role in customers' purchase decisions. About two-thirds of all consumer product decisions are influenced by WOM[11]. Many marketing research studies emphasize the role of behavioral changes caused by consumers' interactions. Consumer-to-consumer interactions and WOM become the major foundation of developing marketing strategies.[12] Over the past decade, WOM has become an even more powerful force, due to technology driven communication channels such as email, internet, text, mobile, and blogs where information and opinion can be shared easier and faster than before.

2.4 Purchase

This section is focused on who is making the key decisions about the purchase and how can a manufacturer influence such decision making.

2.4.1 Role of Adolescents

"Among 1,584 contact lens wearers, revealed that most contact lens wear is initiated by patient request, not by doctor recommendation. Seventy-five percent of contact lens wearers started wearing lenses after requesting them from their eye doctor. Just 19 percent started wearing them after receiving a recommendation from their doctor".[13]

A 2009 Alcon consumer study showed that among first-time contact lens buyers, the discussion about contact lenses was initiated 89 percent of the time by the patient, not the doctor (ECP). Also, twenty-seven percent of eyeglasses-only wearers report interest in trying contact lenses. Interest is very high among teens and young adults and declines with advancing age.[6]

Human nature dictates that if more people are educated, then they will generally begin to ask more questions to become more aware. Because seventy-five percent of contact lens wearers initiated contact lens requests, from a marketing conversion standpoint it seems a number conversion game. The more adolescents a manufacturer educates, the more they become aware about the manufacturer's brand, resulting in an increase in sales. Adolescents' or teens' influence could be lower (parents playing the larger role) in the sub-decisions of where to gather information and how much to spend but higher on more expressive sub-decisions involving contact lens attributes such as brand and model. Free trial offers may be extended and a well-devised digital strategy engaging teens can help increase sales and revenue.

2.4.2 Role of Mothers

The role of parents in the decision making processes of adolescents cannot be underestimated. There are three gatekeepers - Adolescents or teens, parents and ECPs - in the process of deciding to adopt contact lenses. All three are important to varying degrees but specifically, considering parents, a mother's role is critical. Mothers are worried about contact lens compliance and whether their young ones are mature enough to handle contact lenses. A manufacturer's marketing strategy should target mothers along with adolescents to emphasize their decision making. This campaign should be touching on how mothers can help their children achieve their personal goals by adopting contact lenses.

2.4.3 Role of ECPs

ECPs are optometrists and ophthalmologists who both prescribe and sell optical products. Manufacturers distribute the largest share of lenses through independent ECPs and the smallest through the online/mail-order channel. Independent research confirms this result.

Research prepared for Johnson & Johnson (Vistakon), for example, shows 48 percent of consumers from a national survey purchased their lenses from an independent ECP, followed by 30 percent from optical chains, 9 percent from mass merchandisers, and 5 percent from mail order. The data also suggest that optical chains, general retailers, and wholesale clubs together account for between 21 and 24 percent of distribution. Further, for 2003, Jobson Research estimated that independent ECPs and all other retailers (including optical chains, wholesale clubs, and department stores) accounted for 56.3 percent and 40.8 percent of total optical sales, respectively, and that sales of contact lenses through "alternate channels" (i.e., online or mail order) would reach $200 million, or 10.2percent of total contact lens sales.[14]

ECPs, however, avoid recommending contact lenses under the mistaken perception that they earn higher profits from eyeglasses. This mis-perception is widespread. A 2009 Alcon consumer study showed that among first-time contact lens buyers, the discussion about contact lenses was initiated 89 percent of the time by the patient, not by the doctor.[5] A 2011 MBA survey revealed that 52 percent of independent ECPs believe that the average contact lens patient produces higher annual gross profit than eyeglass wearers. An average eyeglass-only patient generates about $135 in revenue and $99 in gross profit annually, compared to $264 in revenue annually by contact lens patients and $178 in gross profit. A new fit ratio of 10 or less per 100contact lens exams reveals a tendency of a practice to avoid discussion of contact lenses unless patients express interest. This passive approach to contact lens fitting lowers the percentage of active patients wearing contacts, thus reducing annual sales per patient.[15]

Another flawed approach is to sort consumers into two buckets of contact lens wearers or glasses wearers and avoid proposing occasional wear of contact lenses to glasses wearers. The diagram below shows that there are only 21% part-time contact lens wearers.

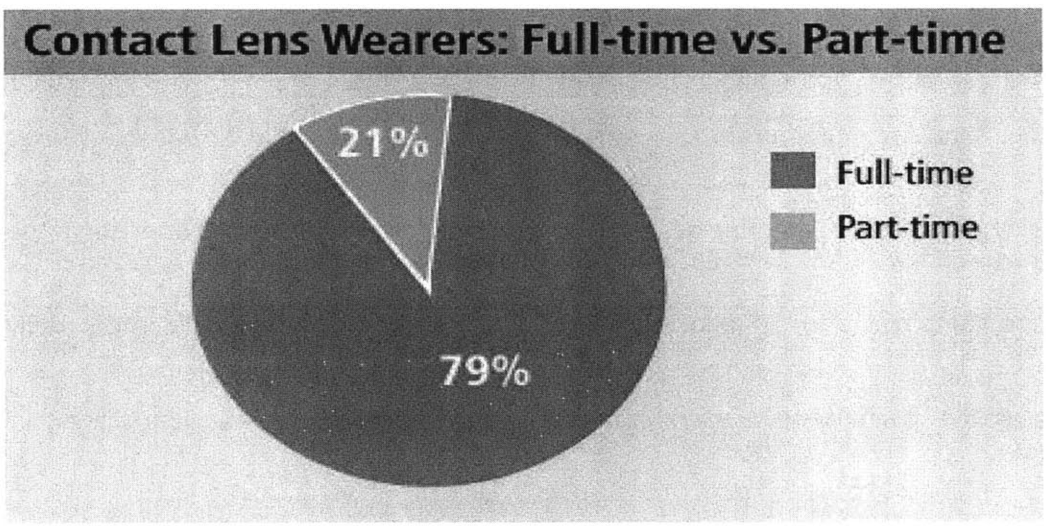

Figure 2.2 Contact Lens Wearers: Full-time vs. Part-time.[13]

ECPs should be made aware of the two flawed approaches with sound available data from credible sources. Also, awareness should be generated in ECPs to encourage, probe and elicit interest in adolescents to try contact lenses in addition to wearing glasses. This will generate higher revenues for both ECPs and manufacturers.

2.4.4 Repeat Purchase and Dropout

Discontinuation of contact lens wear plagues the contact lens market as a significant number of patients drop out of contact lens wear each year. Unfortunately, 2.7 million patients drop out of contact lens wear each year, most due to discomfort and non-compliance.[16] This affects the repeat purchase rate directly; resulting in lost sales for both manufacturers and other players in the value chain. Many manufacturers thus target adolescents with daily disposable lenses instead of weekly or monthly. Targeting adolescents with daily disposable lenses does solve the problem of non-compliance to an extent. There is no need to clean or dis-infect daily disposable lenses after each use.

Many contact lens wearers can improve comfort and reduce irritation by simply practicing recommended contact lens hygiene and care. Manufacturers and other players in the value chain, especially ECPs, can prevent much of discomfort and non-compliance by simply providing patient education, issuing safety and compliance messaging regarding contact lenses in an ECP's office, and on the lens packaging and other social media. ECPs can avoid many dropouts because of non- compliance and discomfort by taking a thorough history when fitting contact lenses and tailoring a specific plan to meet each individual's needs. Digital technology can play a significant role in educating youth and assisting ECPs to achieve this goal.

2.5 Chapter Summary

This chapter developed a model to understand the adoption process of a new or existing contact lens product or service. Such a model will help a manufacturer to dissect existing problems or predict future behavior of newly launched initiatives to penetrate the market. By capturing important interactions, the model highlights the importance of advertising in generating awareness and the timing of advertising to realize synergies between advertising and WOM. Advertising the initiative in synergy with WOM can play a very important role in increasing the contact lens adoption among teens to penetrate deeper in the market and earlier than the competition.

This chapter also highlighted the role of three key decision makers - adolescents, parents and ECPs - in the adoption of contact lenses. Adolescents depend on parents on gathering information and spending, and on ECPs for prescription, sale and selection of contact lenses.

Mostly, adolescents initiate request for contact lenses from ECPs who are passive in prescribing them because ECPs anticipate higher revenue from the sale of spectacles when compared to contact lenses. Many studies have shown that this is actually a misconception, and in fact there is higher revenue from the sale of contact lens when compared to spectacles. Also, ECPs do not prescribe contact lenses for occasional wear in addition to spectacles.

The more a manufacturer promotes its product to adolescents, the more it will push ECPs to prescribe them contact lens, thus increasing the manufacturer's contact lens sales and revenue. Advertising messages should be targeted specifically at the teen market to generate awareness, preference and increasing purchase. Also, manufacturers need to educate ECPs about their flawed approaches.

Discontinuation of contact lens wear due to discomfort or non-compliance plagues the contact lens market as a significant number of patients drop out of contact lens wear each year. Targeting adolescents with daily disposable lenses solves the problem of non-compliance to an extent. Manufacturers and other players in the value chain, especially ECPs, can prevent many of such issues by simply providing patient education, generating awareness and tailoring specific plans as per adolescents' needs. Such initiatives will decrease the drop-out and increase the adoption as more mothers get convinced that non-compliance is not a major issue. Digital technology including social media can play a significant role in educating youth, generating trust among mothers and assisting ECPs to achieve this goal.

3. Competitive Analysis

This chapter is focused on a broader competitive analysis at an industry level to build a well-rounded strategy. Porter's Five Forces analysis can be used to analyze competition within an industry and establish a business strategy. Basically, the more competitive the industry, the lower the potential to earn profit in that industry. In order to make profits, a contact lens manufacturer has to drive down the competition.

The Five Forces model has three horizontal components- intensity of existing rivalry, threat of substitutes, and threat of new competitors, and two vertical components- bargaining power of suppliers and bargaining power of customers. The vertical components or forces are a direct result of the manufacturer's decisions.

3.1 Horizontal Competition

The three horizontal components or forces of Porter's model are listed below:

- **Intensity of existing rivalry (external):** Many factors determine the intensity of rivalry including the number and capability of the manufacturer's competitors in the same market segment - contact lenses. High rivalry is usually accompanied by low profitability. If a manufacturer has a unique value proposition offering a unique marketing mix then the manufacturer has more power than competitors to hold the buyers. This force measures the level of competition between traditional rivals that compete directly on price, quality, marketing, product or service. Strong players such as J&J, Baush + Lomb, Novartis and CooperVision exist in the industry with strong rivalry. Large acquisitions and mega deals have been recorded recently by significant players in an effort to consolidate market. Contact lens and related lens care products are core competencies of these players so exit barriers are high. And because growth is stagnant, competition is intensified to steal share from each other.

- **Threat of substitutes (external):** Easy substitution weakens manufacturer's power. The availability of substitute products increases the chances that a manufacturer will lose customers to substitutes, leading to lower profitability. Higher value proposition than substitutes strengthens manufacturer's power and increases switching costs leading to higher profitability. Many substitutes are available with high threat including spectacles, laser vision correction and intraocular treatment. Cheap substitutes such as spectacles offer value proposition and low switching costs. 95% of the vision correction population use spectacles, either alone or in combination with other forms of correction.[4] Also, substitute products such as spectacles and surgery have strong value proposition and are not inferior or lower in quality or in performance.

- **Threat of new competitors (external):** New competitors enter the market with an opportunity to make profits, tending to lower the profitability of all existing market players. High barriers to entry limit new competition and help manufacturer sustain profits and position. The vision care industry (including contact lens segment) is highly technical and requires not only substantial capital investment but also huge research and development investment, thus raising entry barriers for new entrants. Also, existing manufacturers have developed strong distribution networks over time making it difficult for new players to enter the market.

3.2 Vertical Competition

The two vertical components or forces of Porter's model are:

- **Bargaining power of suppliers or distributors (internal):** Many factors, including number, strength and control over distributors, affect the bargaining power of a manufacturer and control the profitability of a manufacturer by influencing prices and margins. In the contact lens market, a manufacturer has high dependency on distributors or downstream value chain players who own end customers. Downstream value chain players (for ex: ECPs) have the power to recommend substitutes and command margins. Downstream value chain players (for ex: ECPs, mass merchandisers) are not heavily dependent on contact lens sales. ECPs also earn revenue by prescription and by selling wide range of other products including spectacles. Mass merchandisers and other commercial retail including optical chains have wide range of vision and non-vision care industry products to sell and earn revenue. Some manufacturers do limit the distribution channels by facilitating private labeling and practicing limited distribution.

- **Bargaining power of buyers or consumers (internal):** The number of consumers, their strength and ease of switching determine their bargaining power. The more powerful consumers often dictate terms to a manufacturer or a distributor. The more bargaining power a consumer has, the more pressure a consumer can exert on the manufacturer to limit its profitability. In the contact lens market Adolescents have wider choices such as spectacles, surgery and can easily switch to these substitutes and between traditional contact lens manufacturers. The manufacturer doesn't have much control over the end customers (adolescents) who are dependent upon ECPs and other distributors for contact lens selection and sale. Also, adolescents with limited spending power are price sensitive.

The figure below shows competitive analysis at an industry level and qualitative evaluation of a manufacturer's position.

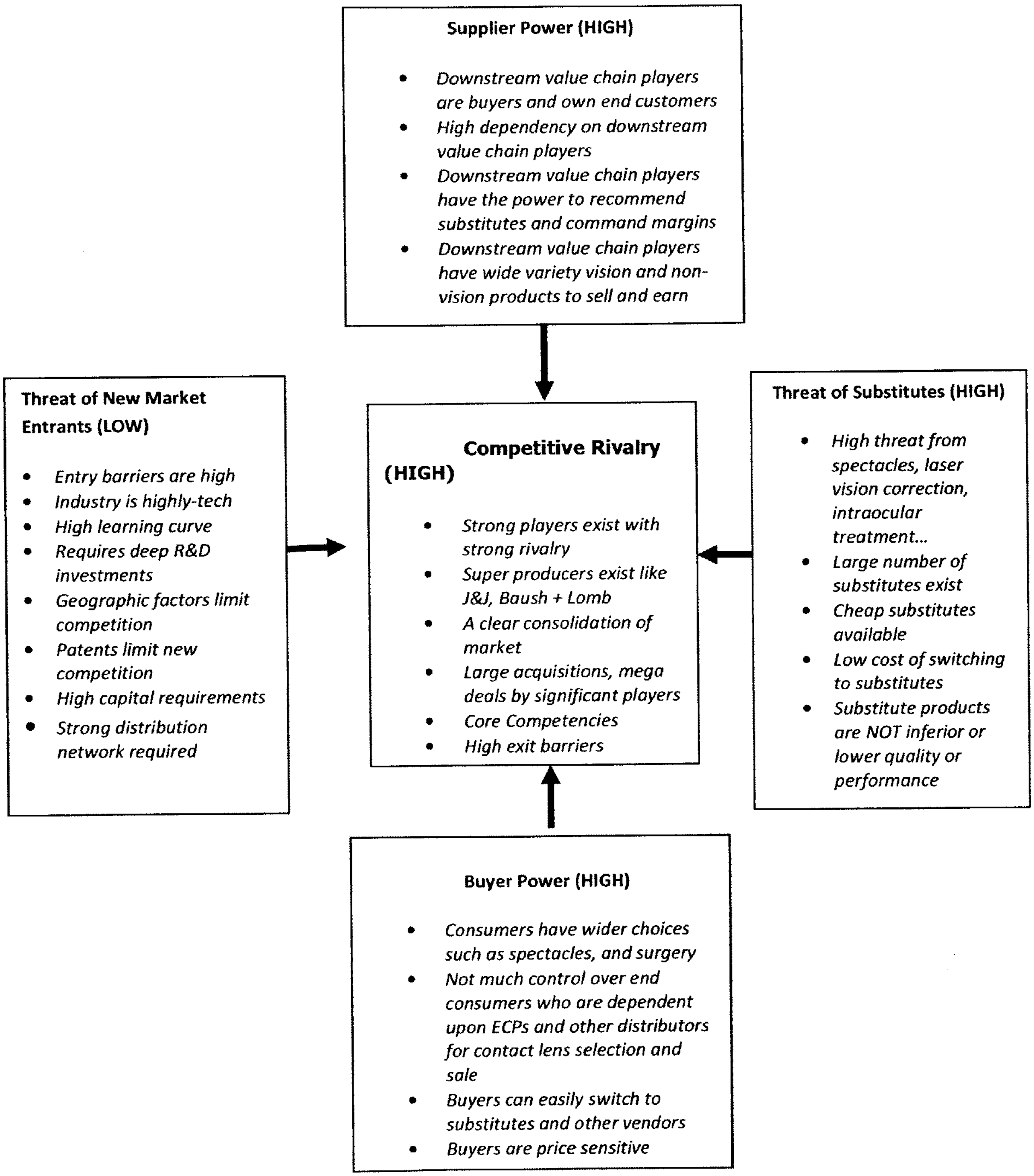

Figure 3.1 Competitive Analysis.

3.3 Exclusive Relationships

This section further analyzes value chain to find the role of exclusive relationships in limiting competition. Such an analysis will help determine whether a manufacturer should focus on practicing exclusive relationships as a part of its business strategy to limit competition.

Independent ECPs are optometrists and ophthalmologists who both prescribe and sell optical products. Independent ECPs drive the prescription and account for the majority of contact lens sales (including first sales), followed by national optical chains, mass merchandisers, and on-line.[14] National optical chains (for ex: LensCrafters) and mass merchandisers (for ex: Walmart, Target) are commercial retailers that have also collaborated with some ECPs (referred as affiliated ECPs) for contact lens prescription and sales.

3.3.1 Role of Labeling and Limited Distribution

Some manufacturers limit the distribution channels by practicing limited distribution and facilitating private labeling among contact lens sellers. Private labeling is an exclusive relationship in which sellers of contact lenses issue private label, a brand name unique to the seller, to lock consumers and limit contact lens portability. However, lenses sold under private labels are similar to the lenses sold under a national brand name. Limited distribution is another type of exclusive relationship in which a manufacturer agrees to supply contact lenses through limited sellers only.

Contact lens consumers have to pay the cost of an eye exam and the cost of contact lenses. Consumers can easily determine the cost of an eye exam but lack the ability to determine the cost of contact lenses because of the specialized knowledge required to select right kind of contact lenses. This specialized knowledge is possessed by ECPs. So consumers are dependent upon ECPs for contact lens selection. Although advertising and other forms of information educate consumers, ECPs possess more information concerning the relative quality of a particular lens and decide preferred combination of price and quality suitable for patients.

ECPs may have a competing incentive to prescribe a lens that provides them with the largest profit. Because patients including adolescents depend upon ECPs for contact lens selection, ECPs can take advantage of their position to lock patients. The ECPs generally make the choice of lenses independent of consumer input to prescribe high-priced and high quality lenses. High priced lenses are often of high quality providing ECPS high margins and service reputation, thus avoiding problems with low quality contact lenses. Not only ECPs want to earn largest profit in first sales but they also want to lock consumers for future sales. So some practice private labeling or limited distribution to lock customers and limit prescription portability. According to FTC Study 2005,[14] these practices however are not prevalent because of law requirements in some countries that mandate prescription portability. Also ECPs may not be profit motivated because they earn majority of profits from prescriptions and selling other vision care products. According to the study, this could also be because of inability of ECPs to lock customers or reluctance on their part to prescribe private label lenses because prescribing brands lends prestige to their practice.

Another type of exclusive relationship to limit competition is limited distribution by which a manufacturer limits the distribution of its contact lens product through limited sellers only. According to a Federal Trade Commission (FTC) study in 2005, mostly manufacturers limit distribution to sellers who can provide a specialized and a substantial eye care service. For ex: OSI distributes its contact lenses only through retailers providing substantial eye care services. But OSI also does not prohibit those retailers to carry contact lenses from competition. The OSI lenses are available to most retailers including optical chains, mass merchandisers, and wholesale but online who can anyways acquire these lenses from grey market. Another manufacturer CooperVision sells proclear compatible lenses through retailers providing substantial eye care services. However, because of this policy, the contact lenses should not be available to wholesale and online but CooperVision does sell to wholesale. And online can obtain proclear compatible lenses on grey market from retailers and wholesale who are willing to resell their supplies

According to a Federal Trade Commission (FTC) study in 2005 OSI estimates private label lens sales account for 8% of all contact lens sales. CooperVision participates in private labeling in significant way but accounts for 10% of its contact lens sales by private labeling. The private label contact lens sale of all other manufacturers is insignificant. According to FTC study the largest-selling limited distribution lenses – OSI's Biomedics55 and CooperVision's Proclear Compatibles – are widely available from numerous retailers. The study found Biomedics at all offline and 94 percent of pure online outlets sampled. Proclear compatibles are almost as widely available, at 86 percent of offline outlets sampled and 77 percent of pure online sites sampled.[14]

In conclusion, exclusive relationships exist in the contact lens market and they only account for small share of contact lens sales. These exclusive relationships do not limit competition, and most of the contact lens brands are widely available. Practicing such exclusive relationships will not create any differentiation and competitive advantage for a manufacturer in the current industry structure.

3.4 Manufacturers' Strategic Positions within Industry

Major Players hold different strategic positions in the industry currently. Alcon/Novartis has a strong product and a focus on R&D to maintain its competitive edge. Alcon/Novartis has a very well-developed sales force that work behind the scenes in close connections with ECPs to market contact lenses. Alcon/Novartis provide ECPs higher margins on contact lenses than competitors. Baush + Lomb stresses upon brand building and advertising. Baush + Lomb is making some strides to engage and educate young consumers. OSI in the only manufacturer that makes private label sales as its principal business strategy. OSI also practices limited distribution. Brand building, rebates and limited distribution are integral part of CooperVision's business strategy. CooperVision is also focusing on web and tying ECPs' interests by providing them online marketing support tools. Recent acquisition of Websystem3 by CooperVision has sent strong signals in the industry to adopt digital and online technology to market contact lenses strategically. Websystem3 is a cloud solution provided by CooperVision to ECPs for marketing support.

3.5 Chapter Summary

The contact lens market is highly unattractive. Because growth has been stagnant, competition has become more intense to steal share from each other. The competition in the market could not be defined narrowly between traditional contact lens players (J&J, Baush & Lomb, CooperVision, Novartis) but is broad with customer power, substitutes (spectacles, surgery), and distributors (ECPs, commercial retailers).

Adolescents have wider choices such as spectacles, surgery and can easily switch to these substitutes and between traditional contact lens manufacturers. Manufacturers are highly dependent on downstream value chain players such as ECPs who drive the prescription and first sales but are passive to contact lens adoption.

There are number of substitutes such as spectacles, laser vision correction that exist in the industry providing low switching costs to consumers. The threat of new entrants is however low because of high entry barriers. Industry is high-tech and requires huge capital and R & D investments making it difficult for new players to enter the market.

Exclusive relationships exist in the contact lens market. Some manufacturers do limit the distribution channels by facilitating private labeling and practicing limited distribution. However, these exclusive relationships are not very prevalent and do not significantly limit the competition as most of the contact lenses brands are widely available.[14]

4. Building and Reviewing the Strategy

This chapter is focused on developing and reviewing important strategic elements by building on previous chapters. Understanding the important interactions (**Chapter Two**) and industry competition (**Chapter Three**) provide the basis of strategy development to address the problem (**Chapter One**) of penetrating deeper in the market and to position a manufacturer favorably against rivals.

4.1 Market Segmentation

From Chapter One, we conclude that the contact lens market growth is slow in developed world, leading to intensified competition between rival manufacturers who are eyeing to penetrate deeper in the market and steal share from each other. In this scenario, it makes sense for a manufacturer to compete on different dimensions by segmenting the market for different geographies (developing economies) or different customers (adolescents) or different products (daily disposable lenses). Concentrating on different geographies is out of scope of this thesis which is focused on increasing sales in the developed world.

Adolescents are interesting customer segment where a manufacturer should concentrate its efforts. Also, targeting adolescents with daily disposable lenses solves the problem of dropping out because of non-compliance. There is no need to clean or dis-infect daily disposable lenses after each use. Competing on different dimensions such as different customers (adolescents) and different products (daily disposable lenses) will strengthen a manufacturer position. A manufacturer will have first mover advantage by penetrating deeper and capturing adolescent market share earlier than competition.

4.2 Generating Awareness

Chapter Two details the importance of generating awareness among three gatekeepers- adolescents, ECPs and parents. Awareness should be generated among adolescents and parents to improve contact lens value proposition against spectacles and decrease drop-out due to non-compliance. Contact lenses can be desirable in number of circumstances including improving personality, improved sports and driving vision, better peripheral vision and number of situational inconveniences associated with spectacles. Attractive and engaging advertising messages targeted at adolescents and mothers will generate awareness, increase purchase and decrease drop-out due to non-compliance. Educating ECPs to propose contact lenses as an additional wear and to let go mistaken perceptions that they earn higher profits from eyeglasses will help increase sales. A digital media including television, video games, MP3 players, social networking sites such as Face book, Twitter, YouTube, Myspace, Google+ can play a critical role. Traditional contact lens rival manufacturers, however, can take free ridership on the awareness generated against spectacles but a manufacturer must realize that this is inevitable and the competition is not narrow with traditional rivals but is broad with substitutes such as spectacles that capture 95% of the vision care market.

4.3 Realizing Synergies while Generating Awareness

Chapter Two also stressed upon the importance of timing the advertisement campaigns and synergies between advertising and world of mouth (WOM). A manufacturer may have to spend more on advertisement campaigns in the beginning to create synergies between advertising and word-of-mouth to amplify the contact lens adoption. A well timed and well-devised advertisement strategy focusing on adolescents will help increase sales.

4.4 Changing the Basis of Rivalry

In **Chapter Three,** competition is analyzed broadly between traditional contact lens players (J&J, Baush & Lomb, CooperVision, Novartis), and with customers (Adolescents), substitutes (spectacles, surgery), and distributors (ECPs, commercial retailers). This section is focused on finding new ways to compete by changing the nature of traditional rivalry discussed in **Chapter Three**. Because growth is stagnant, traditional rivals have become more alike. In order to penetrate deeper, a contact lens manufacturer must find new ways to compete to gain power.

4.4.1 Market Consolidation

As the market is matured, growth has slowed. Profitability in contact lens market has fallen, weaker competitors have been driven away and market is dominated by strong players who are consolidating the market by further mergers and acquisitions to introduce new capabilities. Recent mergers including Alcon/Novartis and CooperVision/Ocular Sciences are the attempts the consolidate the market. Sometimes a risky strategy, a manufacturer must eliminate rivals when required to gain power, infuse new capabilities and service improvements.

4.4.2 Technological Advances

Manufacturers have to find new and promising ways to penetrate the market by technological advances to steal growth from competition and substitutes. New advances are possible in product or services. A recent acquisition of WebSystem3 by CooperVision is an important move that has sent strong signals in the market to appropriate interactive digital strategy as a means of technology advance to engage buyers. Websystem3 is a cloud solution provided by CooperVision to ECPs. ECPs can build their practice by using tools of marketing and patient communication provided by Websystem3. Once buyers are adapted to and engaged by such technology solutions, it will be difficult for them to switch to other providers. By making these technology advances first, a manufacturer can built a huge first mover advantage by capturing market share first and raising buyers' switching costs, thus making it difficult for competition to react strongly.

4.4.3 Margin Reductions

Though easy for competitors to see and retaliate, a manufacturer may not rule out reductions or discounting by providing higher margins to ECPs who drive prescription and contribute roughly half of contact lenses sales. A manufacturer with superior products is uniquely positioned to attract ECPs who prefer high margin and high quality. Because roughly half of the contact lens sale is from online and other commercial retailers and it has become easy for the patients today to surf the Internet and compare lens prices, the pricing margins of independent ECPs have been constrained. It may no longer be effective for ECPs to mark up lenses at higher multiples without risking patient defection. Providing higher margins to ECPs who drive prescription and first sales will increase volumes.

Other new basis of competition such as market segmentation, advertising/educating, service improvements have already been discussed to improve a manufacturer competitive position and moderate intensity of rivalry.

4.5 Moderating the Threat of Substitutes

This section builds upon **Chapter Three** to enhance contact lens value proposition by proposing contact lens wear as a complementary to spectacles. By promoting contact lens comparative advantages, the goal is to moderate the threat of spectacles to contact lens adoption.

4.5.1 Enhancing Value Proposition as Complementary

Competition can't be defined narrowly between traditional contact lens players but is broad with substitutes (spectacles, surgery), suppliers and buyers. Spectacles continue to dominate the market share and growth. Approximately 95% of the vision correction population use spectacles, either alone or in combination with other forms of correction. [4] Spectacles provide clear price-performance value with low cost of switching.

However, both spectacles and contact lenses provide clear benefits. A manufacturer should project contact lenses as an additional or complementary wear to spectacles to improve contact lens value proposition and clear benefits provided by them. The table below shows comparative advantages.

Advantages of Spectacles	Advantages of Contact Lenses
• Convenience in terms of placing them on and removing them • Clear, immediate and consistent vision • Versatility in achieving a wide range of refractive corrections • Widest range of options and most satisfactory outcomes for multifocal correction • Perception of culturally desirable traits; e.g. intelligence, maturity, appearing serious, etc. • Can be worn as a fashion item • Preferred for occasional short-term vision correction, e.g. reading, driving • Mechanical protection against eye injury can be provided • Major complications from the use of spectacles are rare • Low on-going costs after initial expenditure	• More desirable cosmetic outcome • Lower start up costs • Better visual acuity and increased field of view • Improved sports vision • Elimination of vision distortion. • Ability to wear non-prescription sunglasses • No situational inconveniences such as: - Spectacle lenses becoming dirty, scratched or fogged up - Frames slipping or falling from face or causing discomfort because of excess weight or poor fitting - Lost or misplaced spectacle lenses - Spectacles moving when lying down

Figure 3.1 Comparative Advantages.[4]

ECPs are to be educated about the flawed approach to not segment consumers into two buckets of contact lens wearers or glasses wearers and propose contact lenses as an alternate wear to spectacles. Parents and Adolescents are to be educated about the value proposition of contact lenses and their comparative advantages. A digital strategy involving advertising, educating, communicating and engaging adolescents, parents and ECPs will create pull and help increase profitability. Traditional rival manufacturers will not feel threatened by such a move but can take free ridership on the awareness generated against spectacles. A manufacturer should realize that this in inevitable and the competition is not narrow between traditional rivals but is broad with substitutes such as spectacles that capture 95% of the vision care market. A manufacturer should, however, strategize generating awareness for building its brand.

4.6 Changing the Supplier or Buyer Power

Adolescents are the buyers who are interested in trying contact lenses but they are dependent upon parents and ECPs who act as gatekeepers to decide contact lens adoption for them. Parents are worried about non-compliance and safe handling of contact lenses by their young ones. ECPs (main suppliers/distributors) are passive to contact lens adoption and prefer spectacles to contact lenses. Also, ECPs don't prescribe contact lenses as an occasional wear in addition to spectacles. This section is focused on decreasing the buyer (adolescent) power and the supplier power (for ex: ECPs) to increase the contact lens adoption.

4.6.1 Creating Pull to Reduce Supplier Power

Providing free contact lens trials to adolescents should activate many to try and adopt contact lenses. Educating contact lens value proposition and preventing non-compliance issues by providing patient education, issuing safety and compliance messaging regarding contact lenses in an eye care practitioner's office, on the lens packaging, and other social media should stir adolescents to try and parents to support contact lens adoption. Engaging ECPs by providing them marketing, patient communication and other optometry tools to facilitate their business will also raise switching costs as these ECPs can't easily switch to competitors.

A medium plays a very important role for the communication to be interactive or engaging. For example, communication by digital media such as internet, web or mobile will enhance interaction with the customer to create the pull. Today, most engaging marketing tools can be implemented through digital concepts thus embracing a shift towards consumer driven efforts for two way communication. Such concepts provide real-time, engaging, interactive, cost-effective and consumer focused two-way communication solutions. Possible media includes (but not limited to) video games, social networking sites such as Face book, Twitter, YouTube, Myspace, Google+, and Skype.

A manufacturer creating such a pull effect by engaging, educating and promoting contact lens and its own specific brand activates adolescents, who mostly initiate contact lens request. These activated adolescents will push passive ECPs to prescribe and sell manufacturer's contact lenses, thus decreasing ECPs' bargaining power. Promoting to adolescents, a manufacturer will also push commercial retail to actively keep and sell its contact lens brand.

4.6.2 Creating Push to Reduce Buyer Power

A manufacturer should create push effect by engaging, educating and promoting contact lens and its own specific brand by offering reduced margins and marketing support, and by educating ECPs to give up their flawed approaches to promote contact lens adoption. This will decrease bargaining power of adolescents or buyers who depend upon ECPs for contact lens selection and sale.

4.6.3 Need for Two-Way Communication

There is a high dependency of manufacturers on distribution channel players (ECPs, Retail) to push their product by offering discounts, margins, and other types of support (marketing, labeling) to these players who are powerful, passive and command margins. Moving completely towards a pull marketing strategy where promotional activities are directed towards enticing adolescent consumers will undermine the role of distribution channel players who drive contact lens selection and sale.

Also consumers, actually, react to both the strategies – push and pull. Bargain hunters may react to the pull marketing tactics while the socially aware buyers respond to the push marketing. And, there are both types of consumers in the contact lens market. In order to achieve the growth in this stagnant market, a manufacturer needs to balance both strategies to create a unique marketing mix that entices both distributors and adolescents. In sum, products like contact lenses require convincing to buy and a "double pronged" approach will ensure that adolescent consumers won't be able to resist the offer.

5. Shaping the Strategy for Two-Way Communication

Rather than relying heavily on pushing the products and one-way communication, a manufacturer should practice two-way communication to create both push and pull effect. A medium plays a very important role for the communication to be interactive. For example, communication by digital media such as internet, web or mobile will enhance interaction with the customers. Today, most engaging marketing tools can be implemented through digital concepts thus embracing a shift towards consumer driven efforts for a two way communication. Such concepts provide real-time, engaging, interactive, cost-effective and consumer focused two-way communication solutions.

According to a recent Pew Research that explored technology use among adolescents and their parents reveal the following: [17]

- 78% of the adolescents have cell phone and almost half (47%) of them own smartphones.
- 95% of the teens use internet.
- 93% of teens have computer or have access to one at home.

According to the research, teens in many ways represent leading edge of mobile and internet connectivity. According to 2011 research data, 75% all teens text, 93% of teens have an account on Face book and 24% on MySpace.

According to an article published in Science Illustrated "it took radio 38 years to reach 50 million people, but it took 20 for the phone and 13 for the television. In contrast, it took facebook 3.6 years and twitter didn't even that much time- in fact it took Google Plus 88 days. And the stand-out adopters in this world are teenagers. In the US, teenagers are spending 8.5 hours using computers, mobiles or other devices to interact, learn and play". [18]

An ePharma Physician study by Manhattan Research reveals that the number of physicians who use the internet and other digital technologies to access pharmaceutical, biotech, and medical device information has jumped from 20% in 2004 to 84% of the total US physician population in 2008. The research also finds that 36% of the physicians communicate online.

Other highlights of the study [19] were:

- 83% of physicians watch video clips online.
- 54% of US physicians own a smartphone.
- Google is the most popular search engine among physicians.

- 91% of physicians search for health and pharmaceutical information online and are increasingly using online communities.

Because ECPs and Adolescents are increasingly moving to digital (internet, web or mobile), it makes sense for a manufacturer to move into this space. Many organizations have realized the value of interactive digital technologies to engage consumers and are increasingly making progress to build digital strategy for effective two-way communication as part of business strategy. To step up digital and online strategy, a recent acquisition of websystem3 by CooperVision has sent strong signals to rivals in the contact lens market. CooperVision is continuously making strides towards online by providing through this channel the fitting, managing and marketing support to ECPs, and personalized experience to contact lens consumers. The digital strategy also facilitates rebates, trial offers and enhanced ECP locator services to contact lens consumers including adolescents.

Appealing and two dimensional internet and other interactive digital technologies should be integrated into the manufacturer's strategy to create deeper engagements with adolescents, parents and ECPs. A two-way process built utilizing internet, web or mobile will engage audience to promote contact lens brand to unravel new growth opportunities.

Historically, such a business or digital strategy is developed as big bang with large initiatives to first design important elements such as software, site, infrastructure, and transaction systems, taking months or years to develop and then additional months or years to deliver results if any. There is an emerging trend today where companies are adopting iterative approach to rolling out elements of strategy, analyzing the results and then modifying the strategy to scale up or scale down depending upon the results or success. With this approach, organizations can develop or integrate important elements in steps to measure the success at each step. This approach is often less risky, dynamic, and scalable.

5.1 Crafting the Two-Way Communication Strategy Components

Because manufacturer core business is to make and sell lenses, it should concentrate on integrating key system elements to incorporate them in overall business model for strategic fit rather than developing or maintaining the underlying system (internet, web or mobile). Developing or maintaining such a system should be left to the third party and manufacturer concentrate on core business, new strategy design and execution.

A very important element of this strategy is to have a highly dynamic and scalable system built on economic rationale especially when a manufacturer is not sure about the strategy outcomes. Such a system can be scaled up if it works and scaled down if it doesn't, without much affecting the manufacturer. There are three important inter-related elements of such a strategy.

5.1.1 Competing on Analytics

Analytics, the brain of the system, will drive the demand for resources. Analytics can discover and communicate important patterns of data to drive the demand. Analytics can provide deep insights to harvest the value of the social activity by combining behaviors of adolescents and ECPs. This collective intelligence can provide manufacturers a real competitive advantage. There may not be need to build such a system because there are many data analytics service providers already exist in the market. For example: Google Analytics can be used to determine what contact lens products adolescents are clicking, what is interaction conversion, what are sources of network referrals, and how are adolescents engaging to take action accordingly on how, what and where to advertise/sell. Many other service providers such as IBM, SAS also offer such systems to address analytics challenges based on variety, volume and velocity.

Analytics can be used to gauge Adolescents interest in contact lens products to drive advertisement and sales.

5.1.2 On-Demand for Economic Rationale

Demand can be viewed as number of computing resource requests per unit time and is driven by the brain - Analytics. An interesting aspect of on-demand is that a contact lens manufacturer can request resources dynamically for advertising, marketing and patient communication, and selling contact lenses. The system can be scaled up or down as per the demand for resources in real time.

5.1.3 Scalable Social Business Resources

Many service providers host business resources on demand as a service. This has transformed on demand from abstraction to reality. Many such providers host business resources as services letting buyers pay per consumption. There are many advertising and patient communication products available in the market as services. For instance: Eyemaginations, Demandforce, Healthline, Eyeconx, Ocuport etc offer different advertising and patient communication products as services. Also, there are number of other optometry apps available in the market for social business, marketing support, customer communities and patient education.

Because these products are already available in the market as services, a contact lens manufacturer does not need to create them but integrate them as a part of strategy to enhance its value proposition. The consumption will be paid as per use so these services can be scaled up when business is growing and scaled down when not. These resources will help ECPs better manage and market their practice. Manufacturer can provide these resources to ECPs to engage and strengthen relationship with them. Once engaged, it will be difficult for ECPs to switch to other manufacturers.

A competitor cannot easily predict such a two-way communication strategic move built on highly interactive, dynamic and scalable technology system utilizing internet, web and mobile. It will be difficult for competition to react as well. A responding rival has to overcome organizational inertia to make such major strategic changes. Such impediments will likely delay the reaction and in the meantime manufacturer gain the market share by engaging adolescents and tying ECPs'.

6. Conclusion and Recommendations

Because the contact lens market has matured, growth has become stagnant. In order to penetrate deeper, a manufacturer has to find new ways of competing by focusing on most promising category –adolescents. There are three key decision makers – adolescents, ECPs, and parents – in the adoption process of contact lenses for adolescents.

- *Adolescents* depend upon parents for information gathering and spending and upon ECPs for contact lenses prescription, sale and selection.

- *ECPs* drive the prescriptions and sales but are passive about contact lens adoption. ECPs prefer eyeglasses to contact lenses and think that they make more from eyeglasses than contact lenses. Many studies have shown that this is actually a misconception, and in-fact there is higher revenue from the sale of contact lenses when compared to spectacles. Also, ECPs do not prescribe contact lenses for occasional wear in addition to spectacles.

- *Parents, especially mothers,* are worried about non-compliance. They need convincing that their young ones can handle contact lenses safely.

Mostly adolescents initiate contact lens requests so from a strategic perspective, the more a manufacturer promotes its product to adolescents, the more it will push ECPs to prescribe adolescents the contact lenses thus increasing the manufacturer's contact lens sales and profitability. Also, a manufacturer needs to educate ECPs about their flawed approaches. Targeting adolescents with daily disposable lenses solves the problem of non-compliance to a great extent because there is no need to clean or disinfect them daily. Manufacturers and other players in the value chain especially ECPs can prevent many of non-compliance issues by simply providing patient education, generating awareness and tailoring specific plans as per adolescents' needs. Such initiatives will decrease the drop-out and increase the adoption as more mothers get convinced that non-compliance is not a major issue.

Because growth has slowed, competitors have become more alike. A manufacturer needs to differentiate and compete on new dimensions to penetrate deeper in the market and gain a strategic advantage. Apart from **Generating Awareness** and **Market Segmentation** by focusing on different customers–adolescents and different products–daily disposable lenses, a manufacturer can create power shifts in its favor by several other means:

Market Consolidation

A manufacturer should eliminate rivals to gain market power through consolidation. A manufacturer can also alter the nature of traditional rivalry by mergers and acquisitions to infuse new capabilities and ways of competing.

Margin Reductions

Though easy for competitors to see and retaliate, a manufacturer should not rule out price or margin reductions by providing higher margins to ECPs who drive prescription and contribute roughly half of contact lenses sales. A manufacturer with superior product is uniquely positioned to attract ECPs who prefer high margin and high quality. Providing higher margins to ECPs, who drive prescription and first sales, will increase volumes. Providing free contact lens trials to adolescents should activate many to try and adopt contact lenses

Promoting Contact Lens as Complementary

Adolescents, parents and ECPs are to be educated about the value proposition of contact lenses and the comparative advantages. Contact lenses can be desirable in number of circumstances including improving personality, improved sports and driving vision, better peripheral vision and a number of situational inconveniences associated with spectacles. Attractive and engaging advertising messages targeted at adolescents and mothers will generate awareness, increase purchase and decrease drop-out due to non-compliance. Educating ECPs to propose contact lenses as an additional wear and to let go their mistaken perception that they earn higher profits from eyeglasses will help increase sales.

Exclusive Relationships

In the current Industry structure, a manufacturer should not focus, in a significant way, on practicing exclusive relationships – labeling and limited distribution – to limit competition. Such relationships do not provide a significant competitive edge to manufacturers as most of the contact lens brands are widely available in the market.

Digital Technology for Two-Way Communication

A digital strategy involving communicating, advertising, educating and engaging consumers (adolescent patients and ECPs) will create both push and pull to help increase sales and profitability. Because ECPs and Adolescents are increasingly moving to digital (internet, web or mobile), it makes sense for a manufacturer to move to this space. A two-way communication by digital media will enhance interaction with the consumers. Possible media includes (but not limited to) video games, social networking sites such as Face book, Twitter, Youtube, Myspace, Google+, other network communities, online patient communication, optometry and marketing support tools. By integrating these different media components and tools, a manufacturer can engage adolescents and create a unique value proposition for ECPs by facilitating their business. Though traditional rivals can easily anticipate price or margin reduction moves and can get free ridership on the contact lens awareness generated, it will be difficult for these rivals to predict and promptly react to such a strategic two-way communication move.

Finally, a manufacturer should adopt an iterative approach to rolling out elements of the strategy, analyzing results and modifying the strategy to scale up or scale down depending upon the results or success. The iterative approach is often less risky, dynamic and scalable, measuring success at each step and achieving more in the longer run.

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